

Message Text

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ACTION EB-11

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ALSO FOR T/IEP

POUCHED INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG CA US

SUBJECT: ENERGY: US-CANADIAN CONSULTATIONS, WASHINGTON, JAN 31

1. ECONOMIC COUNSELOR HAD APPOINTMENT LATE YESTERDAY AFTER-
NOON WITH JACK STABBACK, NATIONAL ENERGY BOARD (NEB) MEMBER,
FOR BRIEF DISCUSSION OF CURRENT US-CANADIAN ENERGY MATTERS
(SEE SEPTTEL FOR STABBACK'S COMMENTS ON LAST WEEK'S FEDERAL-
PROVINCIAL ENERGY CONFERENCE).

2. WITH REFERENCE TO JANUARY 31 MACDONALD-SIMON MEETING,
STABBACK OUTLINED AGENDA ITEMS WHICH CANADIAN DELEGATION
WOULD WANT TO DISCUSS AS FOLLOWS:

(A) U.S. ASSUMPTION OF RESPONSIBILITY FOR ALLOCATING
CANADIAN CRUDE OIL EXPORTS AMONG U.S. CUSTOMERS.
STABBACK SAID HE UNDERSTOOD U.S. WAS PREPARED
(EVEN EAGER) TO TAKE ON THIS TASK WHICH CANADA
HAD BEEN TRYING TO SHAKE FOR SOME MONTHS. HE
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ASSUMED TECHNICAL PEOPLE ON BOTH SIDES WOULD
GET TOGETHER AFTER JANUARY 31 MEETING TO WORK

OUT THE DETAILS.

(B) MACKENZIE VALLEY GAS PIPELINE. HE SAID CANADIAN SIDE ATTACHED CONSIDERABLE IMPORTANCE TO DISCUSSION OF THIS PROJECT. HE SAID HE EXPECTED CANADIAN ARCTIC GAS GROUP WOULD SUBMIT NECESSARY APPLICATIONS TO NEB IN PHASES: IN MARCH APPLICATIONS WOULD BE MADE TO NEB AND DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT FOR LAND USE AND RIGHT-OF-WAY AUTHORIZATIONS, INCLUDING NECESSARY INFORMATION AND DATA REGARDING, I.E., ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS IN THE NORTH. (WITH REGARD TO THE LATTER APPLICATION, STABBACK SAID THAT MINISTER CHRETIEN HAD GONE LONG WAY IN DEFUSING SERIOUS POTENTIAL PROBLEM OVER LAND CLAIMS BY DECLARING GOC'S FIRM COMMITMENT TO THE PIPELINE AND EQUALLY FIRM COMMITMENT TO NEGOTIATE IMMEDIATELY AND TO REACH FAIR AND EQUITABLE SETTLEMENT WITH THE NATIVE PEOPLES. SEE CALGARY'S A-10 OF JAN 22, 1974 FOR ADDITIONAL INFO ON CHRETIEN'S POSITION.) THESE APPLICATIONS WILL BE FOLLOWED LATER BY MATERIAL DEALING WITH NATURAL GAS SUPPLY. STABBACK SAID PURPOSE IN DELAYING SUBMISSION OF THIS INFORMATION WAS TO GIVE ARCTIC GAS ADDITIONAL SUMMER DRILLING SEASON TO IMPROVE CANADIAN RESERVE PICTURE.

(C) BRITISH COLUMBIA BUNKER OIL SHORTAGE. STABBACK SAID CANADIAN SIDE WOULD PROBABLY WISH TO EXPLORE WITH U.S. WHETHER IT WILL BE POSSIBLE, UNDER U.S. EXPORT ALLOCATION SYSTEM, TO CONTINUE FOR ADDITIONAL MONTH (FEBRUARY) SPECIAL JANUARY ARRANGEMENT FOR SUPPLYING B.C. WITH BUNKER FUEL SUPPLIES FROM PUGET SOUND REFINERIES.

(D) U.S. CHANGES IN FOREIGN TAX TREATMENT. STABBACK INDICATED CONSIDERABLE CANADIAN CONCERN OVER POSSIBLE EFFECTS OF PROPOSED LEGISLATIVE CHANGES LIMITED OFFICIAL USE
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WHICH WOULD DISCOURAGE EXPLORATION IN CANADA BY U.S. FIRMS. HE SAID IT WAS POSSIBLE THAT CANADA MIGHT LIKE TO EXPLORE POSSIBLE SPECIAL EXEMPTION FROM THE LEGISLATION.

(E) ATHABASCA OIL SANDS DEVELOPMENT. STABBACK COMMENTED THAT NO RESPONSIBLE PERSON IN CANADA WOULD HOLD TO HERMAN KAHN'S PROPOSED ACCELERATED DEVELOPMENT PROGRAM WHICH WOULD CAUSE HAVOC IN CANADIAN ECONOMY, BUT ON OTHER

HAND THERE WAS NEED TO PROCEED SMARTLY AND IN ORDERLY FASHION. HE PREDICTED A CANADIAN CAPACITY TO DEVELOP THE OIL SANDS ON A PLANT-EVERY-TWO YEARS BASIS. (A PLANT IN THIS CONTEXT REFERS TO 125,000 B/D AT COST OF APPROXIMATELY ONE BILLION DOLLARS.) FOR LONGER RUN, STABBACK EXPRESSED VIEW THAT CANADA WOULD BE GAS-SHORT BEFORE BECOMING OIL-SHORT AND FOR THAT REASON MORE EFFORTS NEED TO BE DEVOTED TO COAL GASIFICATION.

3. WITH REFERENCE TO HERMAN KAHN, EMBASSY FINDS THAT CANADIAN OFFICIALS ARE IN QUANDARY IN DETERMINING JUST HOW HE AND HIS OIL SANDS IDEAS ARE REGARDED IN THE DEPARTMENT AND WASHINGTON OFFICIALDOM IN GENERAL. QUESTIONING ALONG THIS LINE SHOULD BE EXPECTED BY THE U.S. SIDE AT THE JANUARY 31 MEETING.

4. STABBACK ALSO MADE REFERENCE TO REPORTED U.S. CONCERNS REGARDING SECURITY OF SUPPLY IN THE CASE OF EXPORT GAS TRANSITING CANADA FROM ALASKA. HE SAID THAT THE NEB HAD NEVER REALLY CONSIDERED THIS A SERIOUS MATTER BUT COULD CONCEIVE OF NO REPEAT NO OBJECTION TO GIVING U.S. ANY GUARANTEES, INCLUDING FORMAL TREATY, WHICH WOULD ELIMINATE THIS U.S. CONCERN.
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